Potatoes and Potato Products: World Markets and Trade

December 2008

Demand for Table Potatoes Declining While Steady for Frozen

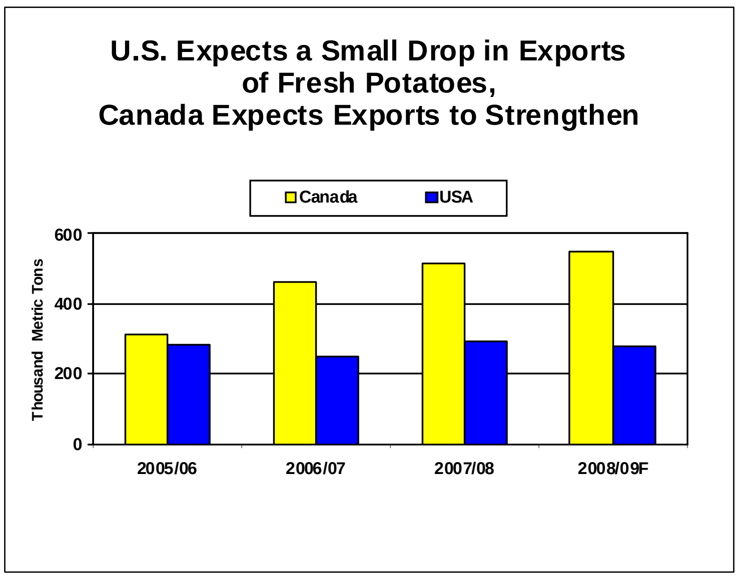
Summary

U.S. fresh potato production is down this year and exports are forecast to drop about 6 percent to 275,000 tons in MY 2008/09 as a result of declining demand for table potatoes and smaller supplies. In contrast, U.S. imports are expected to rise about the same amount in order to make up for the short supplies. As a result of reduced fresh potato supplies, U.S. frozen potato production is expected to drop slightly, but sufficient domestic inventories, steady global demand (despite the economic slump), and expected short supplies by major producers are expected to boost U.S. frozen exports by about 4 percent to 780,000 tons.

Fresh Potatoes

U.S. Exports Forecast Down 6 Percent

U.S. potato production for crop year 2008 (January-December) is projected at 18.6 million tons, down 8 percent from last year due to a decline in acreage in major growing areas as a result of declining demand for table stock potatoes.



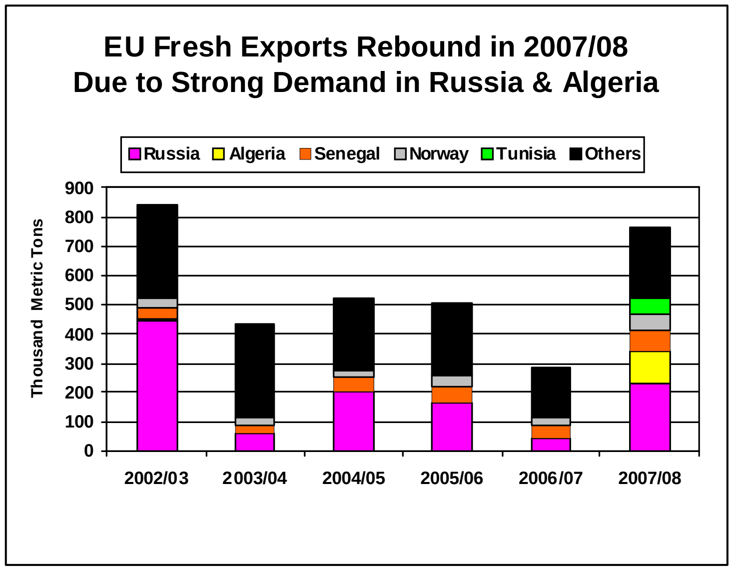
Exports are a critical source of growth. Exports have grown 20 percent over the last three years, spurred by rising demand for potatoes for processing into fries and other products. In contrast, exports for the first two months of MY 2008/09 to our traditional major markets were down (Canada, down 10 percent to 51,000 tons, and Mexico, down 15 percent to 8,000 tons) due to lower supplies. Furthermore, exports are expected to slip about 6 percent to

275,000 in MY2008/09 resulting from smaller supplies, weaker demand, and global economic problems.

Canada Expects Export Growth to Continue

Production is expected to drop 5 percent to 4.7 million tons as a result of weaker demand for table stock potatoes, high input costs, uncertainty over processing contracts, and adverse weather. Canada exports 75 percent of its production, mainly to the United States. Exports are poised to jump 8 percent to 550,000 tons in 2008/09 due to strong demand resulting from short U.S. supplies. Additionally, the United States initiated a rulemaking in early 2008 to permit some Canadian specialty potatoes to enter the U.S. market, which will boost exports to the United States as demand rises for these specialty potatoes.

EU Exports Expected to be Similar to Last Year



Production in 2008 is estimated at 61.1 million tons, down almost 3 million tons from the previous year, but represents an average crop. The EU is the world's largest importer and exporter of fresh potatoes but prohibits imports of U.S. fresh potatoes due to phytosanitary concerns. Last year, EU's exports rebounded, due to stronger demand from Russia and Algeria. Exports are expected to be similar to last year's level.

Japanese Market Will Remain Steady

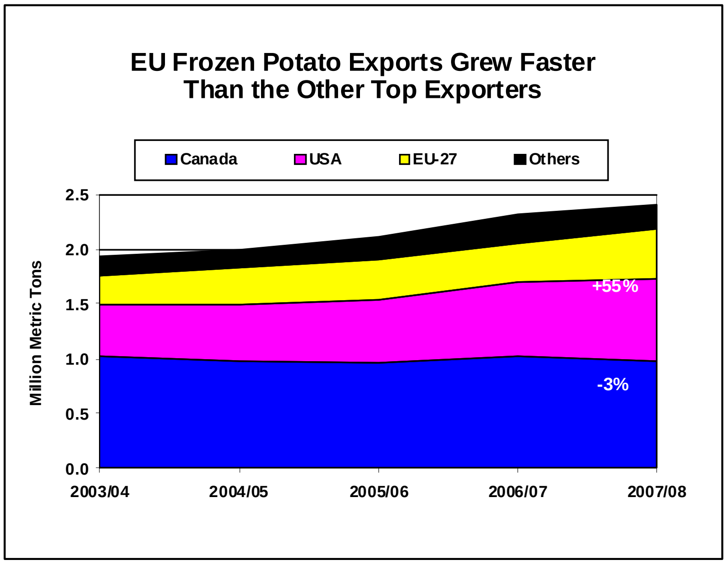
Good growing conditions, strong demand for potatoes, Chinese food scandals, and the limited market access agreement for U.S. chipping potatoes that began in 2006 have all played a key role in higher Japanese potato production, as well as increased demand for U.S. potatoes and products. U.S. supplies virtually all of Japan's potato imports and prices for imported U.S. potatoes have been rising, which may cause Japanese growers to further expand production at the expense of imports of U.S. potatoes.

Korean Market Growth Limited by Quotas

Korea's tariff-rate quota (TRQ) limits market opportunities. The TRQ is usually filled by chipping potatoes used for snack food manufacturing. The out-of-quota rate is a prohibitive 304 percent. In recent years, the United States has claimed most of the market share at Australia's expense. In 2009, imports of U.S. fresh potatoes are expected to slide due to a rebound in Korean production, as well as the recent strengthening of the U.S. dollar which will make U.S. potatoes less competitive.

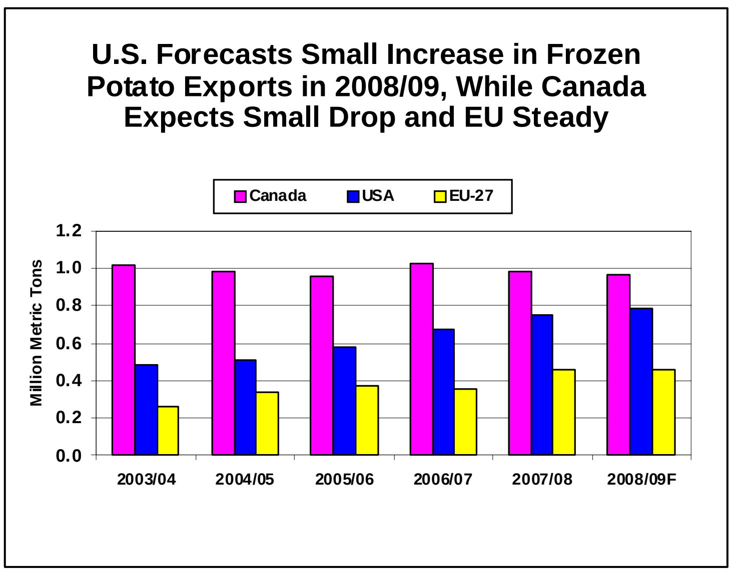
Frozen Potato Products

U.S. Export Growth Likely to Slow in 2008/09



Frozen potato production is expected to drop 2 percent to 4.1 million tons in 2008/09, as a result of declining fresh potato production and the downturn in the economy.

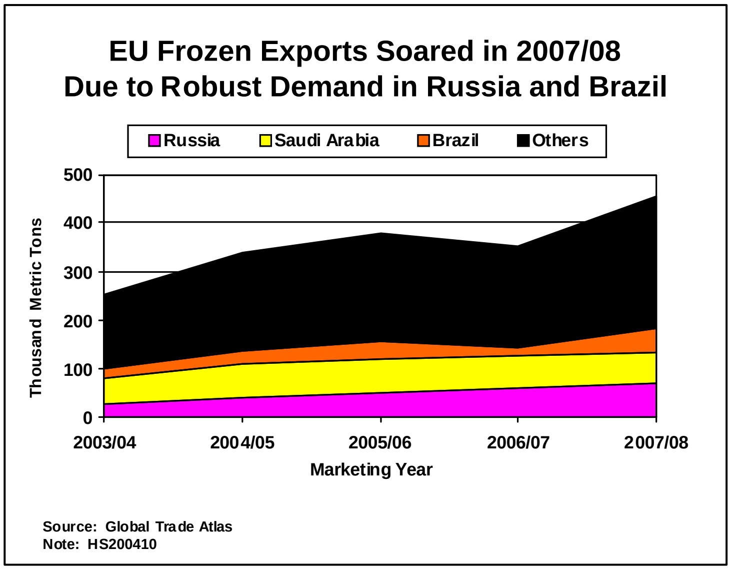
Exports are forecast to grow at a slower pace due to continued global demand and limited world supplies. Exports are forecast at 780,000 tons, up 4 percent from last year. U.S. exports for the first two months of 2008/09 were robust, particularly to some of our largest markets (Japan, up 19 percent, and Canada, up 22 percent) but are expected to decelerate the rest of the year given the dismal economic outlook.



Canada's Export Forecast Down Slightly

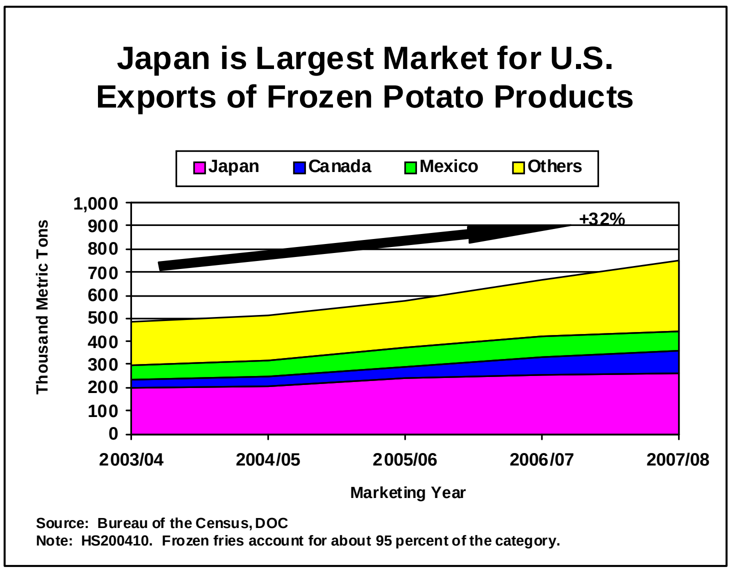
Frozen potato production is export driven, with three-quarters of production exported. Exports are forecast at 1.3 million tons, down 2 percent, reflecting low processing potato supplies and anticipated weaker foreign demand.

EU's Exports Will Remain About the Same



EU's exports of frozen potato products soared in 2007/08 as a result of robust demand in Russia and Brazil. In 2008/09, production and exports are projected to remain about the same due to smaller supplies.

Small Increase Expected in Japanese Market



Production is forecast to rise 1,000 tons to 30,000 tons in 2008/09. Numerous Chinese food scandals have limited Japanese demand for Chinese products and contributed to increased domestic production and trusted suppliers, including the United States. The United States is the dominant supplier of imports, however, if U.S. prices overtake Japanese prices, imports of U.S. products could be replaced by other foreign suppliers. Imports from all suppliers are forecast at 320,000 tons, up slightly from the previous year.

Korean Market Will Soften

In 2009, imports of U.S. frozen potato products are expected to soften since the U.S. dollar has recently strengthened, making U.S. potatoes less competitive. The United States currently has an 80-percent import market share.

For more information, please contact Shari Kosco at 202-720-2083 or shari.kosco@usda.gov. For attaché reports, go to http://www.fas.usda.gov/scriptsw/attacherep/default.asp.